



25 AUGUST 1998

Financial Management

**UNIFORM REIMBURSEMENT AND PRICING
PROCEDURES**

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This instruction implements *AFPD 65-6, Budget*. It provides guidance defining responsibilities and procedures for budgeting, funding and reporting RDT&E support costs. Logistic support cost guidance is provided in AFMCI 21-113, *Contract Maintenance Program for Depot Maintenance Business Area (DMBA)*, and AFMCI 21-111, *Depot Maintenance Business Area (DMBA) Financial Operating Procedures*. This instruction gives guidance on use of uniform direct funding, reimbursement and pricing guidance among test centers and laboratories. It describes funding relationships between AFMC program and project managers and Office of Secretary of Defense (OSD)-designated (Test and Evaluation (T&E)) activity. Chapter 2 implements DoDD 3200.11, *Major Range and Test Facility Base - Summary of Capabilities*, and DoD 7000.14R, Vol 11A, *Department of Defense Financial Management Regulation (Reimbursable Operations, Policy and Procedures)*. It applies to Air Force Development Test Center (AFDTC), Arnold Engineering Development Center (AEDC), Air Force Flight Test Center (AFFTC), tenants and detachments of these T&E activities that require T&E support and managers of AFMC programs and projects that require T&E support. Chapter 3 implements programming and budgeting portions of AFI 65-601, Vol 1, *Budget Guidance and Procedures*. It applies to the Air Force Research Laboratory (AFRL) technology directorates and research sites formerly located at Armstrong Laboratory (AL), Phillips Laboratory (PL), Rome Laboratory (RL) and Wright Laboratory (WL). This instruction does not apply to funding for base support services that are provided under AFMC intracommand, Air Force interservice, or interdepartmental support agreements. This instruction does not apply to the Air National Guard or to US Air Force Reserve units and members.

SUMMARY OF REVISIONS

This revision aligns the instruction with *AFPD 65-6* and replaces AFMCR 177-2. The entire instruction has been revised and updated. The command and field organization's names and office symbols have been changed to reflect the AFMC laboratory consolidation into AFRL. References to organizations transferred to other commands have been deleted except for Figure 1.1, OSD-Designated Major Range and Test Facility Base (MRTFB). Attachment 1, Laboratory Reimbursement Guidance Matrix, has been

expanded to include separate rows for overhead/non-military and for reimbursement codes. Some explanation of terms have been revised. Public Law 105-85, National Defense Authorization Act for FY 1998, amended PL 103-160 and 10 U.S.C. 2681, which, as implemented, authorizes US commercial entities to use MRTFB installations and be charged only direct costs and such indirect costs as determined appropriate by the installation commander by extending this statutory authority to 30 September 2002. Also, Title 10 U.S.C. 2539b, as implemented, authorizes, under limited conditions, charging persons or entities (including commercial customers) only direct and indirect costs, sufficient to recoup total cost incurred, for test services performed at government laboratory facilities.

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Chapter 1

REIMBURSEMENT CONCEPTS AND TERMINOLOGY

1.1. Terms Explained.

1.1.1. Ancillary Variable Indirect Costs. Indirect costs that are directly attributable/varies based on customer workload changes.

1.1.2. Basket Program Elements. Program elements consisting of partially or totally independent projects.

1.1.3. Final Cost Objective.

1.1.3.1. For R&D Activities. The estimated cost of a reimbursable order at a laboratory, based on acceptance of a funded order to support a customer program, project, task, or work unit.

1.1.3.2. For T&E Activities.

1.1.3.2.1. A job order set up at a T&E activity to account for support of a customer or in-house program, project, task, or work unit.

1.1.3.2.2. A specific test facility, such as a sled track, instrumentation site, test and support aircraft, climatic hangar, or wind tunnel, for which the direct cost will be prorated to job orders (T&E programs, basket program elements, projects, tasks, or work units) in a product service/standard rate.

1.1.4. Fixed Price. A price agreed on by the ordering and federal government performing activities, based on historical cost or other acceptable data. The Job Order Cost Accounting System (JOCAS II) or other HQ AFMC/FM-approved cost accounting system must be used to track actual costs.

1.1.5. Institutional Funding. The laboratory or T&E operating costs funded with direct budget authority (DBA) (i.e., laboratory 06XX projects) which are not directly identifiable to a customer program (i.e., indirect costs).

1.1.6. OSD-Designated MRTFB . The T&E activities are in Figure 1.1.

Figure 1.1. OSD-Designated Major Range and Test Facility Base.

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|---|
| <p>Air Force Activities:</p> <ul style="list-style-type: none"> Air Force Flight Test Center (AFFTC) Air Force Development & Test Center (AFDTC) Arnold Engineering Development Center (AEDC) 45th Space Wing Weapons Tactical Center (WTC) (Associated Activity) 30th Space Wing 46th Test Group (Holloman) <p>Army Activities:</p> <ul style="list-style-type: none"> Aberdeen Proving Ground Dugway Proving Ground Electronic Proving Ground Kwajalein Missile Range White Sands Missile Range Yuma Proving Ground High Energy Laser Systems Test Facility <p>Navy Activities:</p> <ul style="list-style-type: none"> Atlantic Fleet Weapons Training Facility Atlantic Undersea Test and Evaluation Center Naval Air Propulsion Center Naval Air Test Center Naval Air Warfare Center, China Lake (T&E portion only) Naval Air Warfare Center, Point Mugu |
|---|

1.1.7. Product/Service/Standard Rates. Computed cost rates that are established for products and services and used to determine charges to a job order. Product service/standard rates, by definition, are costs prorated across the final cost objectives to which they are applied. They are average costs that can be used in estimating and charging. Use of these rates is encouraged. For these rates to be used, follow specific guidance in DoD 7000.14-R, Vol 4, *Department of Defense Financial Management Regulation (Accounting Policy and Procedures)*, Chapter 20 and AFMC direction as follows:

1.1.7.1. Either historical data or engineering studies, from which rates can be developed, must be available and included for estimating future inflation.

1.1.7.2. The activity must review and validate all product service rates at least quarterly, and update if rates vary from actual costs by plus or minus 5 percent. At the end of the fiscal year, if these material variances (plus or minus 5 percent) between the product service rate and actual costs still exists, variances will be distributed to each customer via adjusted billings to either recoup the shortfall or refund the excess to customers.

1.1.7.3. The rates must be applicable to the product or service. Product and service costs that drastically change or volume that cannot be easily identified will not be considered for rate computation.

1.1.7.4. The JOCAS II or other HQ AFMC/FM-approved cost accounting system must be used to support the creation or validation of the product service rates, unless Air Force-wide rates are used.

1.1.7.5. Procedures on how the rates are computed, validated, and updated, including application of future inflation, must be published. Procedures should include the use of production and facility capacity in rate development and include engineering studies as a means to develop and vali-

date rates when studies are more cost effective or more reliable than historical data. The procedures must allow for an audit trail and must be applied uniformly and consistently. A rate that cannot be validated within plus or minus 5 percent should not be used. Update if rates vary from actual costs by plus or minus 5 percent after each quarterly review. The locally documented procedures should also include the methodology for charging and refunding customer variances between product service/standard rates and actual costs at fiscal year end. If a rate cannot be validated in subsequent years, that rate will be discontinued and actual cost will be used.

1.1.8. RDT&E Management & Support (M&S) Program. M&S programs provide for the operation and maintenance (O&M) of R&D facilities (including R&D laboratories/test centers) and RDT&E work at Air Force facilities. These programs are funded by an 06XX project within a 6.1 or 6.2 Research category. General policies and procedures that apply to these programs are in AFI 65-601, Vol 1, Chapters 4 and 10. M&S programs are sometimes called RDT&E O&M-type projects. In a laboratory, an R&D category 6.2 PE may have both mission projects and an M&S project; for example, mission project 4506 and M&S project 06RA are in PE 62702F (AFI 65-601, Vol 1, para 13.1).

1.1.9. RDT&E Mission Program. Consists of all RDT&E work done under contract with private industry, educational institutions, Federally Funded Research and Development Centers (FFRDC), other government agencies, or accomplished in-house. (Excludes the laboratories' 06XX project funding.) RDT&E mission programs are investment-type programs that improve the Air Force overall mission capability rather than the daily O&M of installations and facilities (AFI 65-601, Vol 1, para 13.1).

1.1.10. Reimbursable Order. AF Form 185, **Project Order**; AF Form 406, **Miscellaneous Obligation Reimbursement Document**; DD Form 448, **Military Inter-Departmental Purchase Request**, or other actual order for specific requirements. Reimbursable orders must be supported by valid obligation of customer funds or advance deposit of cash from nongovernment customers. Project orders may be used for contractual services, travel, equipment or other miscellaneous requirements when these costs are incidental to the overall project order effort (DFAS-DE 7070.2-R, *Project Orders*).

1.1.11. Test Center/AFRL Technical Directorates Deferrals. Deferrals represent unfunded amounts due the test centers and AFRL technical directorates (TD) for work accomplished based on reimbursable orders. Test centers and AFRL TDs should have established procedures to:

- 1.1.11.1. Obtain the activity commander's written approval to start or continue work prior to receiving funding documents.
- 1.1.11.2. Track the deferrals or stop work when the test center or TD does not receive funding documents.
- 1.1.11.3. Inform customers in advance that work will exceed the amount previously funded by them.
- 1.1.11.4. Bill customers for all unfunded work accomplished based on reimbursable orders.
- 1.1.11.5. Accomplish a review of deferred unfunded projects three times yearly, at the same time as the triannual certification review of commitments, obligations, unliquidated obligations and expenditures occurs.

1.1.12. Termination Costs. Costs incurred by a laboratory or T&E activity that are chargeable to the customer/user program if the requirement is terminated. These are costs incurred after acceptance of

the project order or reimbursable order, including preparation for test. Costs of customer/user-caused cancellations, aborts or rescheduling will be included in the termination costs.

1.1.13. T&E. AFI 99-101, *Developmental Test and Evaluation*, defines T&E.

Figure 1.2. AFMC T&E Activities

| |
|---------------------------------------|
| AFDTC |
| Eglin AFB FL 32542-5000 |
| (Send funding documents to AFDTC/FMB) |
| AEDC |
| Arnold AFB TN 37389-5000 |
| (Send funding documents to AEDC/FMB) |
| AFFTC |
| Edwards AFB CA 93523-5000 |
| (Send funding documents to AFFTC/FMB) |
| 388th Fighter Wing |
| Hill AFB UT 84056-5000 |
| (Send funding documents to AFFTC/FMB) |
| 46th Test Group |
| Holloman AFB NM 88330-5000 |
| (Send funding documents to 46TG/XPF) |

1.1.14. Total Operating Program. Consists of the institutionally funded portion (DBA) of the activity and the amount reimbursed (reimbursable budget authority (RBA)) from the user funds.

1.1.15. Types of Cost.

1.1.15.1. Direct Costs. Expenses that can reasonably, economically, and consistently be identified immediately and directly to a customer (user) program, project or a final cost objective and that are documented on a job order. "Immediately" and "directly" mean at the time the expense is incurred; for example, when direct labor expense is incurred or when TDY orders are processed. Direct costs may derive from contractor support or work done in-house. R&D costs initially incurred in the laboratories' operating programs will be reimbursed by the customer programs. T&E direct costs are limited to those costs funded from a T&E (test center) activity's operating program. Direct costs include, but are not limited to, the following (which are consistent with AFI 65-601, Vol 1, chap 7, section I):

1.1.15.1.1. Military labor costed at standard rates and accelerated for leave, holiday and other personnel cost factors. (NOTE: Military labor is not reimbursable from DoD customers/users and a specific category of FMS customers for materials, services and training, based on Sec 21 of the Arms Export Control Act and DoD 7000.14-R, Vol 15, *Department of Defense Financial Management Regulation (Security Assistance Policy and Procedures)*, para 070104.)

1.1.15.1.2. Civilian Labor. The hourly rate for regular hours, including an acceleration factor for related personnel benefits such as Federal Insurance Contribution Act (FICA), thrift savings plans, retirement, life insurance, health benefits, earned leave, and holidays. Overtime, holiday pay, and night differential are figured at the normally authorized rates, without an acceleration factor.

Material (including bench stock, less any credit allowed for exchangeable items returned).

Equipment, and its maintenance and repair due to usage. Operating costs of equipment dedicated full-time to a customer program. Costs are determined either through the use of product service/standard rates for prorating to all users or through actual accounting procedures. Non-dedicated equipment used in direct support of a customer program will be charged based on an hourly standard rate. Maintenance costs of test support aircraft and ground support equipment to include a pro rata share of depot maintenance and depot level reparables (DLR).

Miscellaneous contractual services, including T&E activity O&M contractual services.

Printing, photos, and reproduction.

Proficiency training for a specific customer/user program requirement.

Travel and per diem to support specific user programs.

Transportation cost of supplies and equipment or other materiel identified as direct costs.

Technical support equipment and instrumentation required for a particular user or program, and its installation, maintenance, and removal (if required).

Civil engineering work requirements for a customer. Includes test facility configuration changes and deconfiguration to return the facility to its original condition.

Facility O&M when the facility is dedicated to a specific user.

Real property leases dedicated to a customer program.

Automated data processing equipment (ADPE) support, including prorated rental and maintenance charges, billed to laboratory or test center customers through product service/standard rates.

Any charges to a laboratory facility or T&E activity for support provided by another organization and directly identifiable to a customer program.

Permission and postmission checkout and calibration.

Planning for the customer program after the customer project order is received.

Utility costs for a customer program if determined by metering, engineering estimates, or use of a standard rate or price for a specific user project or task or other final cost objective. Fixed costs that reduce unit costs can be prorated across all users. (NOTE: Applicable only if the laboratory or T&E activity must pay for utility costs.)

Contract administration services as defined in Federal Acquisition Regulation (FAR) 42-302. These are reimbursable only by non-DoD customers. (NASA will be charged at the hourly rate established by DoD according to the DoD/NASA Agreement on Contract Administration and Related Services.)

1.1.15.2. Indirect Costs. Items of cost which are 100 percent attributable to support a mission, but not directly supporting a specific internal project or customer effort (e.g., personnel costs above the first line of supervision). They do not produce the primary product or service and are within a direct reporting cost center, that cannot be identified specifically to a single final cost objective. They include institutionally funded operating costs for AFMC laboratory and test center operations not reimbursed under the direct cost funding guidance. For laboratories, these costs are pro-

grammed and budgeted in the 06XX projects until FY 95 for PL and FY 96 for all other laboratories. Indirect costs normally include but are not limited to:

1.1.15.2.1. Labor costs of supervisors, administrative personnel, and support personnel not directly identifiable to a specific customer program; time spent in general proficiency training schools; maintenance; and testing equipment and facilities to keep them in a ready-to-use status.

1.1.15.2.2. Material such as administrative supplies and supplies for maintaining laboratory equipment.

1.1.15.2.3. Maintenance by contract of general-use equipment.

1.1.15.2.4. Equipment purchased to maintain a level of effort at a laboratory or test center.

1.1.15.2.5. Miscellaneous contractual services not directly identifiable to a customer program.

1.1.15.2.6. Training to gain a level of skill not required for a specific customer.

1.1.15.2.7. TDY travel for supervisory, staff, or administrative duties.

1.1.15.2.8. Transporting supplies and equipment that are not charged as direct cost.

1.1.15.2.9. Utilities (if funded by a laboratory or test center) that cannot be directly identified to a customer or final cost objective.

1.1.15.2.10. Rental and maintenance charges for ADPE that is not identifiable to a customer program.

1.1.15.2.11. Maintaining the operational capability of significant test equipment and facilities such as centrifuges and noise measurement chambers.

1.1.15.2.12. Operating or using administrative motor vehicles to maintain a basic level of capability.

1.1.15.2.13. Planning costs, involving management and technical consultation functions, for a laboratory's or test center's basic mission.

1.1.15.2.14. Communications equipment, and its installation and maintenance, for the normal operation of a laboratory or test center.

1.1.15.2.15. Warmup, setup, and shutdown time when multiple users are involved or when not directly identifiable to a customer or final cost objective.

1.1.15.2.16. Other elements of cost, not identified above, that cannot be immediately and directly identified to a customer or final cost objective.

1.1.15.3. General and Administrative (G&A) Overhead Costs. Costs that are less than 100 percent attributable to a specific mission and are therefore allocated to all functions/outputs. They support or assist the overall facility as a whole such as housekeeping, operation and maintenance, contract maintenance, miscellaneous contractual services and general support.

1.1.16. Disposition of Excess Earnings. Reimbursable collections received in excess of reimbursable obligations are normally returned to the customer (see para 1.1.7.2). However, if there are any excess funds received and not returned to the customer, excess collections should be deposited to a Treasury miscellaneous receipt account (DFAS-DE 7010.1-R, *General Accounting and Finance Sys-*

tems at Base Level). Refunds should be credited to the same appropriation or fund account to which the previously related expenditure was recorded (AFI 65-601, para 5.11). Excess earning must not be used to finance unfunded institutional (DBA) requirements.

Chapter 2

BUDGETING AND FUNDING FOR T&E AT MAJOR RANGE AND TEST FACILITY BASES (MRTFB)

2.1. Funding Guidance for T&E.

2.1.1. T&E activities will be financed on a total operating program basis. Direct costs of T&E support provided to users will be funded by the program or project requiring the support and will become a reimbursement to the performing T&E activity. Other operating costs, including indirect costs at T&E activities, will be institutionally funded or customer-funded depending who the requiring activity is (para 2.1.3). RBA for T&E is available for use only to the extent that reimbursable orders are received, according to DFAS-DE 7200.1-R, *Administrative Control of Appropriations*. Normally, reimbursements realized may not include filled orders (earned) in excess of or in the absence of valid orders received, except as explained in AFMCI 65-603, *Official Representation Funds - Guidance and Procedures*. In an emergency for federal government customers only, the performing activity commander (or the comptroller or comparable official, as delegated) may approve starting work in the absence of an order, or continuing work in excess of customer funds, by using a MORD up to 90 days. The approval may be extended only by the commander for an additional 90 days provided that the delay in getting the reimbursable order is justified in writing and the expected date of receipt is provided in a documented memo with the commander's or comptroller's approval, costs exceeding reimbursable orders will be recorded in RBA funds but will not be billed pending an increase in the order. If the order has not been increased sufficiently to cover documented costs within 90 days of overrun (180 days if properly extended, documented and approved by the organizational commander), the excess reimbursable amount will be charged to the T&E activity's DBA according to AFMCI 65-603.

2.1.2. The reimbursable order must be a valid obligation of the customer. T&E activities do not have to determine that the customer actually recorded an obligation, but there must be a reasonable assurance that a valid customer obligation exists to pay the bill when the order is filled. When it is physically impossible for the customer to provide the completed (signed) order to the performing T&E activity to support a test on the first day of the fiscal year, if required (para 2.6.2.1), or on the start date for the services if during the fiscal year, the T&E activity may use AF Form 406, **Miscellaneous Obligation Reimbursement Document**, to record the reimbursable order information as received by telephone, electrically transmitted message, and so on. In order to support the entry on AF Form 406 until the T&E activity receives the formal reimbursable order, both the T&E activity and the customer must document the action taken, the date, the amount involved, the reimbursable order number, and the name of the authorizing official. DFAS has issued guidelines for using miscellaneous obligation reimbursement documents (MORD) to record obligations and reimbursements by all activities serviced by DFAS-DE consolidated operations. These new DFAS procedures include the following:

2.1.2.1. MORDs received must be supported by official documentary evidence, such as project orders, MIPRs, or contract documents. Those with insufficient data will be returned without action.

2.1.2.2. MORD numbers will be recorded and tracked on official obligation and reimbursement documents.

2.1.2.3. All FMs will establish internal procedures to monitor use of MORDs for recording of obligations and reimbursements and to correct transactions not properly prepared.

2.1.2.4. Each MORD will be tracked until official documents are received or the MORD is canceled.

2.1.2.5. Except for recurring monthly expenses, all comptrollers will be notified in writing if official obligating documents are not received within 60 days of recording the MORD.

2.1.2.6. MORDs will be canceled within 90 days unless the delay in getting the documents is justified in writing and the expected date of receipt is provided.

2.1.3. The comptroller of the T&E performing activity will determine the method of reimbursement: fixed price or cost incurred (DFAS-DE 7070.2-R, *Project Orders*, discusses this subject). Non-DoD federal agencies are normally billed direct costs, including military labor, plus indirect costs including management and other costs (overhead), excluding depreciation, military retirement and the unfunded portion of civilian retirement. However, while 10 U.S.C. 2681 is in effect, non-DoD government users will be charged the same as commercial users. Commercial users will be billed for all direct costs that are associated with the T&E activities conducted by the commercial entity (see attachment 3). In addition, 10 U.S.C. 2681 allows the contract to include a provision that requires the commercial entity to reimburse for such indirect costs related to the use of the installation as the Secretary of Defense considers to be appropriate. The charges to commercial customers are to be at least as large as the marginal (additive) cost of providing the service. The commanders of the Air Force major range and test facility bases have been delegated the authority from Secretary of the Air Force to enter into a commercial contract under 10 U.S.C. 2681 with a domestic concern and determine the amount of indirect costs to charge and include in such a contract provision. Neither military retirement, unfunded civilian retirement, asset capitalization, nor depreciation shall be charged to the commercial customer. However, there are three exceptions to using the authority under 10 U.S.C. 2681: (1) Commercial space launch activity at the 30th and 45th Space Wings will be priced under provisions of the Commercial Launch Act of 1984 (amended in 1988 and 1991); (2) when the use of a T&E activity has been included in a contractual agreement with a commercial user as government-furnished services, the commercial user will be charged based on the category of the contractual federal agency executing the contract (DoD 7000.14-R, Vol 11A, paragraph 120203B.5.); and (3) foreign governments will be billed full cost, unless a government agreement is in force (treaty, foreign military sales (FMS) agreement, or other negotiated agreement) that provides otherwise (also see para 1.1.16.1.1). Under exception 2, the commercial customer must provide the performing agency with the DoD contract number and full text of the requirement paragraph to justify the sponsored customer receiving a preferential DoD based rate. See FAR 45.302-4. Reimbursable orders will indicate if the test effort is in support of FMS (para 2.6.2.2.). Commercial users will meet the requirements of AFI 99-102. In some cases, AFI 61-301, *The Domestic Technology Transfer Process and the Offices of Research and Technology Application*, may apply. Nonfederal agencies, excluding commercial users, will be billed for full costs. DoD 7000.14-R, Vol 11A, Chapter 4 gives guidance on pricing of services provided to nonfederal customers. FMS customers are covered in DoD 7000.14-R, Vol 15, Chapter 7.

2.1.4. Organizational channels for requirements and reimbursements between organizations (responsible test organizations (RTO), participating test organizations (PTO), and other test support organizations) and customers will be determined during program planning and included in the program management plan (PMP). This will include customer responsibility for funding. Each test organization will be responsible for planning, programming, and funding all test support, including support required of other organizations. All organizational relationships will be shown in the test management plan, PMP, or equivalent document. AFI 99-101 describes RTO and PTO responsibilities.

2.1.5. As a rule, users will be billed for costs related to abortions and cancellations. The liability usually will not exceed the direct costs incurred, except for those facilities scheduled in advance for a specific period. In this case, liability may also include lost reimbursement, unless the T&E activity is able to schedule a substitute workload.

2.1.6. Reimbursable orders issued by DoD customers on a fixed price basis will cover only current fiscal year requirements and will provide funding for all effort required during the fiscal year. For actual cost agreements, full funding from all customers is required for the fiscal year effort except during periods of continuing resolution authority when incrementally funded orders are permitted. Reimbursable work will not be started until an order is received or known to exist (para 2.1.2). Emergency or quick response T&E support may be provided in the absence of an order; when approved by the T&E activity commander or comptroller (para 2.1.1, also see AFMCI 65-603 for a discussion of appropriation reimbursements). When emergency or quick response support is approved, an AF Form 406 will be prepared based on the information that prompted the approval. AF Form 406 will include the amount of effort approved and will be used to support the recording of an unfilled customer order in the accounting records pending receipt of the actual order. Orders received from state and local governments, foreign governments, corporations, or individuals are recognized only when cash has been received and deposited in the US Treasury, unless this requirement is specifically waived by HQ AFMC/FMF.

2.1.7. Prestatement of capability (pre-SOC) direct costs may be reimbursed. Costs for management and technical consulting, however will be funded institutionally. Test centers should carefully evaluate support provided to differentiate reimbursable pre-SOC from nonreimbursable consulting costs. Users must be informed in advance when pre-SOC costs will require reimbursement. Test center commanders are encouraged to make judicious use of the \$5,000 waiver authority. Rough estimates needed by users for planning purposes should be limited. Rough estimates should be funded institutionally by the test organization.

2.1.8. Each program manager is responsible for programming and funding those capital investments in test capability that are unique to that manager's program. Issues in this area will be resolved according to para 2.4.

2.2. Reimbursement Guidance for Direct Costs . Direct costs are subject to reimbursement according to the T&E direct cost funding guidance. They are defined in para 1.1.16.1 and also include but are not limited to the following:

2.2.1. O&M costs of test and test support aircraft dedicated full time to a user program. The use of nondedicated test and test support aircraft in direct support, to include depot maintenance and DLRs will be charged based on a standard flying hour rate.

2.2.2. Total contractor costs when the sole purpose of the contractor is to support users of the activities. Some examples of these contractor costs to users are G&A expenses, profit, nonproductive corporate direct project costs, and downrange food costs. Contractor costs will be recorded against separate cost centers for each contractor.

2.2.3. Any other products and services provided on a product service/standard rate basis.

2.3. Indirect Costs Not Reimbursable by DoD Users. While OSD has authorized reimbursement by DoD users for ancillary variable indirect costs, those indirect costs which are not related to changes in

workload activity levels are not reimbursable. These costs must still be funded through DBA. Ancillary variable indirect costs should be identified and negotiated by the T&E activity with user prior to beginning the T&E support.

2.4. Capital Test Investments.

2.4.1. Capital test investments include but are not limited to the following:

2.4.1.1. Instrumentation (both internal to weapon systems and ground support).

2.4.1.2. Aerospace vehicles and test beds and their support facilities.

2.4.1.3. Nonexpendable space, airborne, mobile, and static targets.

2.4.1.4. ADPE used primarily to support test or test data processing or used in command and control of instrumentation and other test resources.

2.4.1.5. Communications-electronics that support tests.

2.4.1.6. Electronic warfare simulators and computer simulations and models.

2.4.1.7. Ranges (such as gunnery and munitions).

2.4.1.8. Laboratory equipment for test support.

2.4.1.9. Shop equipment for test support.

2.4.1.10. Facilities supporting a technical test mission, including integration facilities and shops.

2.4.2. All AFMC totally or partially sponsored capital test investments will, to the maximum extent practicable, be sited at AFMC facilities rather than contractor or other DoD locations. All exemptions will be approved through AFMC corporate review. All proposed capital test investments, regardless of siting or funding status, must be identified in the annual AFMC Test Investment Planning Programming Process.

2.4.3. Program managers will program and budget for those capital test investments determined to be unique to their programs' requirements. T&E activities will program and budget for general test investments (those necessary to support a wide range of programs). Program managers, T&E activity planners, and test centers of expertise will work together to identify valid requirements and reach agreement on programming responsibilities with sufficient lead time so responsibilities can be included in field POM submittals. When they cannot reach agreement, those issues will be elevated through the AFMC corporate review process, with sufficient lead time to allow for corporate resolution and to allow resolved issues to be included in field POM submittals. Corporate test investment decisions will be included in the program baseline.

2.5. Division of Responsibility.

2.5.1. HQ AFMC will:

2.5.1.1. Establish guidance for defining direct and ancillary variable indirect costs and resolve questions on definitions of direct and indirect costs.

2.5.1.2. Give guidance on interservice policies and procedures that affect T&E support.

2.5.1.3. Issue instructions for programming and budgeting for T&E.

2.5.1.4. Set up procedures to ensure effective control, management, and reporting of T&E funds by T&E activities and by program and project managers who require T&E support.

2.5.1.5. Issue budget authorizations and operating budget authority to T&E activities and adjust them as necessary. RBA will be loaded based on T&E activities' projected requirements. RBA will be available for funded orders and MORDs (para 2.1.2).

2.5.1.6. Periodically adjust approved operating programs of T&E activities, consistent with current or budget year funding actions affecting the requirements of programs and projects scheduled for support.

2.5.1.7. Maintain accounting policies and procedures for recording T&E support costs and reimbursements due from users of T&E activities.

2.5.1.8. Monitor a JOCAS II operated for MRTFB activities that provides internal reporting for managing and a system for determining the cost of products and services.

2.5.2. Program and project managers who require T&E support will:

2.5.2.1. Identify requirements to the T&E activities that support their programs and projects. Include source of requirement (DoD, other federal agency, or non-federal and commercial organization).

2.5.2.2. Program and budget for funding of estimated direct costs of T&E.

2.5.2.3. Issue reimbursable orders to the T&E performing activity, consistent with current program direction, fund availability, and test support requirements. Reimbursement orders will cover only current fiscal year requirements and will provide funding for all effort required during the fiscal year. Figure 1.2. shows the AFMC T&E activity addresses for receipt of reimbursable orders.

2.5.2.4. Promptly inform T&E activities of all changes to planned T&E support requirements. Provide an amended program introduction document (PID) when significant changes occur or when enough minor changes accumulate to be a significant departure in scope or phasing from the current SOC.

2.5.2.5. Promptly prepare amendments for actual cost reimbursable orders to cover changes in costs or to close out completed orders.

2.5.3. AFMC T&E activities designated as RTO for programs and projects providing test support to program and project managers as follows (this includes arranging for and funding secondary support from PTOs) will:

2.5.3.1. Give estimates of costs of T&E support promptly to program and project managers in response to identified requirements, including new and amended PIDs.

2.5.3.2. Negotiate written agreements with program and project managers on service to be performed and estimated funding required by fiscal year for T&E support.

2.5.3.3. Budget for institutionally funded costs (DBA) and anticipated reimbursements (RBA).

2.5.3.4. Provide required T&E support on receipt of reimbursable orders. Support may continue at the beginning of a fiscal year for ongoing efforts when receipt of a funded reimbursable order is delayed due only to administrative lag time (para 2.1.2). However, the provisions of paragraph 2.1.2. must be met.

2.5.3.5. Provide prompt information to program and project managers on schedule, cost, or capability changes.

2.5.3.6. Bill users at least monthly for actual costs incurred by the T&E activity identified in the JOCAS II or other HQ AFMC/FM approved cost accounting system. Bill fixed price orders within 30 days following acceptance of the order. If the customer wants additional detailed information on a routine basis, the need for the information will be made known and agreed to during the negotiating stages and any related costs may be charged as a direct reimbursable cost.

2.6. Document Procedures.

2.6.1. Preparing Required Documents . Initiate required documents any time during the year. Use a PID, program requirements document (PRD), or SOC; memorandum of agreement (MOA) or memorandum of understanding (MOU); or DD Form 1144, **Support Agreement**, whichever is proper.

2.6.1.1. The PID or PRD introduces a program, mission, or test to the T&E activity. The PID or PRD must include enough information to permit the T&E activity to evaluate its ability to provide the required support and provide estimates of reimbursable cost and schedule of performance. Although the initial PID or PRD must be made early enough to permit an alignment of funds between the customer program or project managers and the T&E activities, this will not preclude further refinement and definition of the test requirements before a reimbursable order is issued and work begins.

2.6.1.2. In response to the PID or PRD, the T&E activity will prepare an SOC that describes the T&E activity's ability to provide the T&E support. The amount of detail required may vary but, as a minimum, the SOC must inform the program or project manager of the T&E activity's ability to provide the required support, tentative schedule of accomplishment, estimate of the cost by fiscal year, and statement whether the effort will be completed on a fixed price or actual cost basis. (See para 2.1.2 for user charges.)

2.6.2. Issuing Reimbursable Orders.

2.6.2.1. Program and project offices of the ordering activities (implementing field activities) will issue reimbursable orders to the T&E activities, through their AFOs, for certification of fund availability, at least 30 days before planned tests start, except for those tests scheduled to start in October, in which case project orders are due 1 October. Amounts issued on reimbursable orders will be consistent with the previously negotiated cost for that fiscal year.

2.6.2.2. Separate reimbursable orders will be used for T&E support on individual FMS cases and will include the FMS case/line identifier. When AF Form 185, **Project Order**, is used, the FMS country code, master case, and line number will be shown in item 8 and the complete accounting classification for the FMS case will be shown in item 9. Although charges on a full-cost basis are normal, there are several situations that may apply to pricing and billing for FMS test support in which full cost would not be billed. When the work is performed in connection with an MOU under a participatory agreement or other documented special condition or arrangement, charges will be consistent with the provisions of the applicable agreements or documents. The basis for such special conditions are normally contained in such documents as the letter of offer and acceptance, the program management directive, or MOU. When these conditions exist, sufficient information must be provided on the reimbursable order by the ordering component (customer) to

permit the performing T&E activity to understand and identify the cost elements that will not be charged.

2.6.3. Changing Costs or Canceling Reimbursable Orders. Changes in test costs after a reimbursable order is accepted will be negotiated in writing between the user and T&E activity. If the reimbursable order is canceled, the program or project manager must reimburse termination costs (paras 1.1.12 and 2.1.5).

2.6.4. Procedures for Other DoD Services. When an Army or Navy activity provides support, AFMC program and project offices and T&E activities will comply with Army and Navy procedures for defining requirements and requesting estimates of direct T&E cost.

2.6.5. Administrative Responsibilities of T&E Activities.

2.6.5.1. Record reimbursable budget authorizations in accounting records as they are received. Accept only properly documented reimbursable orders. Set up reimbursable records according to AFM 177-370.

2.6.5.2. When known, and consistent with the use of standard rates, cite RBA directly in commitment and obligation documents.

2.6.5.3. When ordering secondary T&E support from another activity, finance the cost of the support by issuing a reimbursable order citing the ordering activity's RBA (for FMS, cite the 4E obligation authority from the original tasking) to the supporting activity. Secondary costs incurred by the performing activity will be billed to the ordering T&E activity.

2.6.5.4. Bill users for reimbursable costs for T&E support. Use SF 1080, **Voucher for Transfers Between Appropriations and/or Funds**, to bill for fixed price agreements or costs recorded in the JOCAS II or other HQ AFMC/FM approved cost accounting system. For Air Force users, the T&E activity will complete and process billing and collection sections of SF 1080. Information provided to support actual cost billings will be limited to data readily available from cost accounting records. When requested on the reimbursable order, a copy of the billing document will be mailed to the program or project manager (customer).

2.6.5.5. Make sure reimbursable costs for T&E support are not incurred until reimbursable orders or other authorized funding documents are received or until there is reasonable assurance that a valid customer obligation exists. (See paras 2.1.2 and 2.1.6 for exceptions.)

2.6.5.6. Promptly notify managers of programs and projects that are subject to rescheduling because of acceptance of higher priority effort. If work has not started on an accepted reimbursable order and the T&E activity cannot provide the required T&E support as scheduled for any valid reason not attributable to the program or project office, the user will be notified and given an opportunity to withdraw or amend the reimbursable order.

2.6.5.7. Initiate action to amend reimbursable orders with the ordering program or project office when cost of performance or schedule slippage indicates need to decrease or increase the ceiling amount or extend the performance period. Normally, take action before cost of performance has exceeded 75 percent of the current ceiling amount (DFAS-DE 7070.2 provides guidance on reimbursable orders). Also, review each reimbursable order citing expiring year funds no later than 90 days prior to end of the fiscal year, and notify the ordering activity in writing if a funding adjustment is required prior to funds expiration.

2.6.5.8. Help close out completed reimbursable orders.

Chapter 3

BUDGETING AND FUNDING FOR LABORATORY SUPPORT

3.1. Application of Instruction. This instruction applies to the Air Force Research Laboratory (AFRL) technical directorates (TD) formerly known as Armstrong Laboratory (AL), Phillips Laboratory (PL), Rome Laboratory (RL) and Wright Laboratory (WL), all associated technology directorates(attachment 2) and to customers receiving services from AFRL. Customer activities include internal AFRL projects. This instruction is consistent with AFI 65-601, Vol 1, chap 7, section I.

3.2. Laboratory Costs . According to DoD 7000.14-R, Vol 2B, Chapter 5, para 050201F, work that can be identified to an R&D project will be funded by the R&D project, not by a management and support (M&S) program. In-house work, will be funded by a mission project rather than by the operating accounts, such as the 06XX projects of the TDs. Two types of in-house cost are routinely incurred in the AFRL:

3.2.1. One type of cost results from the basic decision to have the laboratory in existence. This is a common support cost, not directly identifiable to any one customer or program. There are two categories of this cost type: indirect and/or overhead costs for services funded institutionally; that will not be reimbursed from customer programs unless these costs are associated with internal Advanced Technology Development Programs. If so associated, then nonmilitary overhead costs, in addition to direct and ancillary variable indirect costs will be charged to these programs .

3.2.2. The other type of cost is immediately and directly identifiable to a customer program. This is a direct cost that will be financed from the customer programs. (See attachment 1, column 4.)

3.3. Funding Guidance.

3.3.1. AFMC laboratory operations will be financed on a total operating program basis. Costs incurred in support of customer programs will be identified in the laboratory M&S reimbursable account (for example, budget program activity code (BPAC) 691999) and financed from customer program funds. (NOTE: An optional exception to the use of BPAC 691999 is that a laboratory's intramural mission programs may be direct cited for nonpersonnel costs. In general, indirect and overhead costs will be institutionally funded in the 6.2 program element. An exception to this rule is that ancillary variable indirect costs may be charged (attachment 1). Additionally, AFRL TDs will charge to its internal Advanced Technology Development Programs nonmilitary overhead costs, in addition to direct and ancillary variable indirect cost. RBA is also provided but is available for use only to the extent that reimbursements are realized (DFAS-DE 7200.1-R). Reimbursements realized may not include filled orders (earned) in excess of or in the absence of a valid customer order received, except as in AFMCI 65-603. If earnings exceed the amount of funds provided by a customer order, the earned excess amount will not be billed against the order; the performing activity will have the order amended to increase the availability of funds. If the availability cannot be increased within 3 months, the excess reimbursable amount will be remain in /charged back to the DBA BPAC (AFMCI 65-603, para 1.4.8). A reimbursable order must be a valid obligation on the customer records. TDs do not have to determine that the customer has recorded an obligation, but must be sure a valid customer obligation exists to pay the bill when the order is filled. Examples of valid reimbursable orders are project orders, military interdepartmental purchase requests (MIPR), and other orders for specific requirements. If the U.S. government customer cannot get the completed (signed) reimbursable order

to the performing laboratory on the first day of the fiscal year, or the start date if during the fiscal year, the performing laboratory may fill out AF Form 406 to record the customer order information from telephone or electronically transmitted message. Follow guidance in para 2.1.2 for using AF Form 406. The performing TD and customer must document the action taken; date; dollar amount; project order, MIPR or other document identification number; and the name of the authorizing official. This information suffices until the performing laboratory gets the formal customer order.

3.3.2. TDs will bill customer programs for reimbursable costs. Items billed and amounts charged will be consistent with attachment 1. Commercial customers will follow AFI 99-102 and DFAS-DER 7000-6, *Nuclear Weapon System Safety Studies, Operational Safety Reviews and Safety Rules*. DoD 7000.14, Vol 11A discusses pricing of services for nonfederal government customers. Foreign governments will normally be billed full costs unless an active government agreement to the contrary is in force (treaty, FMS agreement, or other negotiated agreement). Customer orders will indicate if the effort is in support of FMS (DoD 7000.14-R, Vol 11A, Chapter 4).

3.3.3. Customer requirements for laboratory support and estimates of amounts for reimbursements must be determined during the program formulation phase to permit inclusion of like amounts of DBA in the customer programs and RBA in laboratory operating programs for a given fiscal year.

3.3.4. Customer costs from aborts and cancellations will be negotiated between the performing laboratory and the customer. The cost will be that which is incurred by the performing laboratory.

3.3.5. Project orders from AFMC activities will provide full funding for all effort required during the fiscal year, except during periods of continuing resolution authority when incrementally funded project orders are permitted. Reimbursable work will not be started until a funded order is received or known to exist. Emergency or quick-response support for federal government customers, however, may be provided when approved by the technology director. Orders received from state and local governments, foreign governments, corporations, or individuals are recognized only if cash is received and deposited with the Treasury (unless specifically waived by AFMC/FMF).

3.3.6. Costs incurred by performing laboratories for technical consultation during planning and before actual support of a customer will not normally be charged/billed to a customer.

3.3.7. For project orders, AFRL is a separate organization or center.

3.3.8. Laboratory reimbursement policies and procedures are similar to those in Chapter 2 for T&E centers and ranges. AFRL technology directors may, however, waive reimbursements from Air Force customers on a case-by-case basis. This waiver authority allows technology directorate directors not to charge for informal support, if they believe reimbursement is inconsistent with prudent business practices. Generally, informal support is effort a TD may quickly provide a customer who has not been able to program and budget for the requirement. Formal support is long-term, and has been programmed and budgeted for by the customer.

3.3.8.1. All nonmilitary support costs (direct, indirect, and overhead) of 6.1 programs will be reimbursed.

3.3.8.2. The 6.2 PEs will be used for institutional funding. At each TD, the 6.2 mission support project will be reimbursed for direct costs of support provided by the TD to all mission projects for which the TD is OPR. The waiver authority does not apply to mission program support activities within a TD. For outside customers, reimbursements will be made according to attachment 1, unless the waiver authority is exercised. In addition, AFRL TDs will reallocate funds and charge

to its internal Advanced Technology Development Programs nonmilitary overhead costs, in addition to direct and ancillary variable indirect costs, related to the programs.

3.3.8.3. Between TDs, the supporting (performing) TD may waive collection for direct costs, incurred in support of a customer technology directorate program, at the discretion of the supporting technology director consistent with prudent business practices.

3.3.8.4. For programs assigned to AFMC organizations other than laboratories, para 3.3.8.3 applies.

3.3.8.5. All direct and variable indirect costs, except military pay, are reimbursable for support to Air Force organizations outside AFMC, unless the reimbursement is waived by the technology director.

3.3.8.6. All costs, except military pay, are reimbursable for support provided to other non-Air Force DoD organizations. However, in cases of mutual benefit and joint participation, the technology director may negotiate the technology directorate's contribution, defining each participant's contribution. An MOA, documenting the cost-sharing agreement, will explain the joint participation project and how the monetary percentage of benefit was determined for each participant. Normally, entire categories of expense will not be assigned to just one of the participants for funding. Each participant will share the total cost of the entire project. Similar joint participation efforts may be arranged between the TDs and other Air Force organizations.

3.3.8.7. All costs, including military pay but excluding user charges, are reimbursable for support to non-DoD federal departments and agencies.

3.3.8.8. All costs, including military pay and user charges prescribed in DFAS-DE 7000-6, are reimbursable for support to nonfederal organizations.

3.3.8.9. The guidance of the Air Force is not to compete with private industry for nongovernment work. This guidance applies to work or services provided under the authority of 10 U.S.C. 2539b. Work, however, may be accepted from industries or individuals if they have a contract with a federal government agency that requires the work, or they meet the provisions of Title 10 U.S.C. 2539b. Work may be performed directly for all federal agencies or federal government contractors performing operational test and evaluation activities as set forth in AFI 99-102. Work can also be performed under federal cooperative arrangements involving independent research and development program. See FARs 31.205-18, 45.406 and 45.407.

3.4. Areas of Responsibility.

3.4.1. HQ AFMC :

3.4.1.1. Sets guidance for and resolves queries about defining direct, indirect and overhead costs.

3.4.1.2. Provides guidance on interservice policies and procedures affecting laboratory support of other DoD activities.

3.4.1.3. Issues instructions for programming and budgeting for laboratory operations.

3.4.1.4. Creates procedures to ensure reporting on status of customer funds (incoming funded orders).

3.4.1.5. Issues direct and reimbursable budget authority to the TDS under guidance from AFRL/FM.

3.4.1.6. Periodically adjusts total operating program to make it consistent with customer programs and projects scheduled for support.

3.4.1.7. Maintains accounting policies and procedures for recording laboratory and TD support costs charged to customer programs and obtaining reimbursement from customer programs.

3.4.1.8. Monitors a JOCAS II operated for AFRL and its TDs that provide internal reporting for managing and a system for determining the cost of products and services.

3.4.2. Program Managers (Customers) Requiring Laboratory and Technology Directorate Support.

3.4.2.1. For programming and budgeting purposes, identify requirements of the technology directorates that customarily support their programs. Include source of requirement (DoD, other federal government, or non-federal and commercial organization).

3.4.2.2. Program and budget for estimated direct costs of support provided by the TD.

3.4.2.3. Issue funded project order (or equivalent) to the performing TD providing the support. (Attachment 2 includes AFRL TD addressee office symbols for receipt and management of project orders.)

3.4.2.4. Promptly inform performing TD of all changes to planned support required.

3.4.2.5. Promptly prepare amendments to project orders to cover charges in costs or close out completed project orders.

3.4.3. AFRL TDs.

3.4.3.1. Promptly give program managers estimates of costs of technology directorate support.

3.4.3.2. Work out written agreements with program managers on services to be performed and estimated funding required by fiscal year.

3.4.3.3. Budget for institutionally funded costs (DBA) and anticipated reimbursements (RBA).

3.4.3.4. Provide required technology directorate support after funded orders are received. (Support for ongoing efforts may continue at the beginning of a fiscal year when receipt of a funded project order is delayed due only to administrative lag time (para 2-4a)).

3.4.3.5. Promptly inform program managers on schedule, cost, or capability changes.

3.4.3.6. JOCAS II will be used to support all billing documentation. If a customer routinely needs additional detailed information, that will be made known and agreed to during the planning and negotiating stages; any related costs will be charged as a direct reimbursable cost.

3.5. Funding Procedures.

3.5.1. Documentation Cycle. The following three steps are analogous to a program manager seeking and obtaining a contract with a commercial concern: (1) A request for proposal is prepared, (2) an offer is made by the contractor, and (3) an acceptance (agreement) is consummated. Similarly, program managers obtain an agreement for in-house support of their programs. First, they identify their requirements. Second, the supporting technology directorate indicates its capability and provides a

cost estimate. Third, the program managers include in their program objective memorandum (POM)/ budget estimate submission (BES) documentation the requirement for direct funds to reimburse the research site for its support, and the laboratory will include the reimbursable direct support cost in its total operating program. These three steps require the following:

3.5.1.1. The program manager will prepare a PID/PRD. The format will be specified by the supporting (performing) technology directorate. The PID/PRD introduces a program to the supporting technology directorate. It must include enough information so the laboratory can evaluate its ability to provide the support and prepare a cost estimate. Although the first PID/PRD must be made early enough to permit alignment of funds between the customer program direct funding and the technology directorate support (reimbursable) program at time of POM preparation, this will not preclude further refinement of the support requirement before a project order is issued at the start of program execution.

3.5.1.2. The supporting (performing) technology directorate will then prepare a Statement of Capability (SOC) or optional AFMC Form 607, **Budget Estimate Agreement**. The SOC informs the program manager about the technology directorate's ability to support the program. The supporting technology directorate will specify the format. The SOC will also have cost information (how much DBA by fiscal year the program manager should expect to need to reimburse the technical directorate). An AFMC Form 607 may be used for providing a documented cost estimate. It will be signed by both the performing and ordering activity authorized representatives, as noted on the form.

3.5.1.3. The program manager next prepares a program manager acceptance document (PMAD) and sends it to the supporting technology directorate. The program manager and the technology directorate will jointly specify the format. The PMAD substantiates the inclusion of RBA in AFRL's total operating program and provides a measure of POM/BES consistency between the technical directorate's reimbursable program and the program manager's direct program.

3.5.2. Release of Project Orders.

3.5.2.1. Program managers will issue project orders (or equivalent documents e.g., AFMC Forms 277, if the program manager is assigned within the supporting research site/technology directorate) to the supporting research site/technology directorate at least 30 days before the beginning of the required support (except for support scheduled to begin in October, in which case the project orders are due 1 October). Dollar amounts on project orders will be consistent with the negotiated cost determined in para 3.5.1.

3.5.2.2. Project orders will be classified (as decided by both the program manager and the performing directorate) to show reimbursement guidance, whether reimbursable billings should be direct cost only or full cost, including a distribution of the indirect and overhead costs. The classification will relate to the categories described in columns (2)-(9) of attachment 1. The classification may, for example, be indicated by a sentence on the project order, stating in substance: "This customer order should be billed as a non-USG and US Commercial User -- see attachment 1, column (9)."

3.5.2.3. Separate project orders will be required for laboratory support of FMS cases. The AF Form 185 will include the FMS case and line number shown in item 8 and the complete accounting classification for the FMS case shown in item 9. The project order will include any necessary instructions on how reimbursable costs should be figured.

3.5.3. Administering Accepted Project Orders.

3.5.3.1. Changes to support costs after acceptance of a project order will be negotiated in writing between the supporting technical directorate and the program manager. An amendment to the project order will be issued, as required. If the project order is canceled, the program manager is responsible for termination costs.

3.5.4. Procedures Established by Other Services . Laboratory mission program managers will comply with procedures established by the Army and Navy in defining requirements and requesting estimates for support when such support is obtained from these services.

3.5.5. Laboratory Administrative Responsibilities.

3.5.5.1. Provide budget authorizations received to the servicing AFO for recording in the accounting records.

3.5.5.2. Accept only properly documented project orders or equivalent documents (DFAS-DE 7070.2-R).

3.5.5.3. When ordering secondary support from another activity, finance the costs of the support by issuing a project order to the activity that will provide it. The project order will cite the ordering research site's M&S reimbursable account (696000). Costs incurred by the activity providing the secondary support will be billed to the research site requesting the support.

3.5.5.4. When the customer activity and the performing activity are not under the same commander, the customer activity will normally use a project order to make funds available for reimbursing work accomplished (DFAS-DE 7070.2-R). Generally, for the performing activity to accept the project order, most of the work must be done in-house on a reimbursable basis and the amount of the reimbursement must be determined through JOCAS II. If the customer activity's funds are to be direct cited, some other funding document will be used; for example, AF Form 616, **Fund Cite Authorization (FCA)**, or AF Form 830, **Procurement Directive**.

3.5.5.5. When the customer activity (for example, program office) is within the technical directorate that is providing the support, AFMC Form 277, **Reimbursable Order/Request for Support from Other Agencies**, will be used instead of AF Form 185 to obligate the RDT&E mission program funds. AFMC activities will use AFMC Form 277 to order in-house technical effort from elements within the same ordering activity (intraorganizational order). Discontinue use of AFMC Form 277 for technical effort from non-DoD federal agencies that are not government owned government operated (GOGO) activities. Transactions between DoD and other government agencies, except NASA, are governed by the Economy Act. Generally, DD Forms 448, **Military Interdepartmental Purchase Request (MIPR)**, will be used when ordering good and services under the Economy Act (Comptroller General Decision B-246773). For in-house technical effort, the ordering activity, execution office, acceptance office and performing activity budget office functions may be completed by the same office. Specific guidance for using AFMC Form 277 is contained in attachment 6. For NASA transactions, follow the guidance in DFARS Subpart 208.71.

3.5.5.5.1. Mission program funds will be obligated in the month the support is to begin.

3.5.5.5.2. The amount obligated will be based on the best estimate of total obligations to be incurred.

3.5.5.5.3. Intraactivity orders will be administered the same way that interactivity project orders are administered. When the customer program funds and the performer program funds are both same-year RDT&E accounts, use sales code 39. When the customer RDT&E funds and the performer funds are different fiscal years, use sales code 18.

3.5.5.5.4. On completion of the effort, M&S program-related accounts receivable records will be adjusted to show the expensed account as filled, the amount unfilled, and amount collected.

3.5.5.6. In billing for reimbursable costs for laboratory support, use SF 1080 to bill for costs recorded in the JOCAS II. For Air Force users, the SF 1080, **Appropriations and/or Funds** (in both billing and collection sections) will be completed and the servicing DFAS Operating Location (OPLOC) will handle the expenditures as a "for self" payment if it services both the technical directorate and the customer. The OPLOC will handle expenditures as a "for others" payment if the customer is serviced by a different OPLOC. Information provided to support billings will be limited to information readily available from cost accounting records. When requested on the project order, a copy of the billing document will be mailed to the program manager at the same time as release of the "for others" transaction.

3.5.5.7. Use element of expense/investment codes (EEIC) 59913 and 59914 to identify indirect costs and EEIC 59923 and 59924 for overhead costs that are reimbursable from customers. The DBA EEIC 59901 account will be credited for the total of 59913 and 59923 and DBA EEIC 59902 will be credited for the total of 59914 and 59924. The RBA EEIC 599 account will be debited for a like amount.

3.5.5.8. On an optional basis, when a technical directorate is both the customer and the performer, technical directorate civilian pay may be treated as a refund between the M&S direct BPACs and mission program direct BPACs. This will be done by charging EEIC 392RR in the M&S direct BPACs and charging the proper mission program direct BPACs. Costs first incurred in the M&S direct BPACs will be transferred on a refund basis from the M&S direct to the M&S reimbursable BPAC using the pertinent EEIC originally bearing the costs. All accounting records, to include the DoD Budget Guidance Manual Reports - Civilian Manpower and Funding, RCS: DD-COMP(AR)1092, must reflect accurate civilian pay data for both direct and reimbursement obligations.

3.5.5.9. Ensure that reimbursement costs for laboratory support are not incurred until project orders or other authorized funding documents are received or until there is reasonable assurance that a valid customer obligation exists.

3.5.5.10. Promptly notify program managers of support effort subject to rescheduling because of acceptance of a higher priority effort. If work has not started on an accepted project order and the technical directorate cannot provide the required support as scheduled for any valid reason not attributable to the program manager, the customer will be notified and given an opportunity to withdraw or amend the project order. Review every reimbursable order with expiring year funds and provide program managers a statement in writing no later than 90 days before the end of the fiscal year if a funding adjustment is required prior to funds expiration.

3.5.5.11. Amend project orders with the ordering program manager when cost of performance or schedule slippage indicates need to decrease or increase the ceiling amount. Orders are amended before cost of performance has exceeded 75 percent of the current ceiling amount (DFAS-DE 7070.2-R).

3.5.5.12. Help close out completed project orders.

3.6. Program Management Interface.

3.6.1. Financial policies prescribed in this instruction are not intended to change program management responsibilities.

3.6.2. Authorizations for end items of equipment, facility projects, manpower, contract technical services, and other services under DCSs and SSOs outside the comptroller functional area will still be processed as required by directives for the functional areas.

3.7. Prescribed Form. AFMC Form 277.

RICHARD T. ECKHARDT, SR.

Deputy Director, Financial Management & Comptroller

Attachment 1

LABORATORY REIMBURSEMENT GUIDE MATRIX

| (1) | (2) | (3) | (4) | (5) | (6) | (7) | (8) | (9) | (10) |
|-----------------------|--------------|------------|------------------------|----------------|---------------|------------------------------|-----------------------|----------------|-----------------------------------|
| COST CATEGORY | RESEARCH 6.1 | WITHIN 6.2 | WITHIN TD (NON 6.2) | BETWEEN TDs | OTHER AFMC | NON-AFMC OTHER AF LABS | NON-USAF OTHER DoD | NON-DoD USG | NON-USG AND US COM USERS |
| Direct Labor-Mil | No | No | No | No | No | No | No | Yes | Yes |
| Direct Labor-Civ | Yes | Yes* | Yes | Yes | Yes | Yes | Yes | Yes | Yes |
| Other Direct Costs | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes |
| Indirect/OH-Mil | No | No | No | No | No | No | No | Yes | Yes |
| Indirect/Non-Military | Yes | Yes** | Yes** | Yes** | Yes** | Yes** | Yes | Yes | Yes |
| Overhead/Non-Military | Yes | No | Yes*** | No | No | No | Yes | Yes | Yes |
| User Charges**** | No | No | No | No | No | No | No | No | Yes |
| Reimbursement Code | BF | BD | BF | BD | BD | BD | BF | BC | FR |

REMARKS:

- Columns 5-7: Technical director may waive reimbursable costs on a case-by-case basis consistent with prudent business practices.
- Column 8: Technical director may negotiate reimbursable costs on mutually benefiting jobs.
- Columns 2-10: JOCAS II will be used to support reimbursable billings in all cases.
- Column 9: Military labor is not accelerated (use JOCAS II standard rates).
- Column 10: Military labor must be accelerated (use JOCAS II standard rates and acceleration rates for military benefits such as medical, retirements, PCS, etc.) (DFAS-DE 7010.1-R, formerly AFR7-101, Part Five)

* Beginning FY 95 all direct civilian labor charges may be reimbursed by 6.2 technical programs as a result of elimination of 06XX projects from descriptive summaries. (See para 3.3.8.2)

**Variable indirect costs may be reimbursed. (See para 3.3.1)

***Beginning FY98 overhead (non-military) for non 6.2 programs may be reimbursed.

****Per DoD 7000.14-R, Volume 11A, Chpt 4.

Attachment 2
LIST OF AFRL TECHNOLOGY DIRECTORATES

Office Symbol for Project Order

| Name of Technology Directorate | Management | Postal Address |
|--|--|--|
| Wright Research Site (formerly Wright Laboratory) Air Vehicles (VA) Materials & Manufacturing (ML) Propulsion (PR) Sensors(SN) Human Effectiveness (HE) | AFRL/VAF AFRL/MLF AFRL/PRF AFRL/SNF AFRL/HEF | Wright -Patterson AFB OH 45433 * |
| Phillips Research Site(formerly Phillips Laboratory) Directed Energy (DE) Space Vehicles (VS) | AFRL/DEF AFRL/VSF | Kirtland AFB NM 87117-5776 |
| Armstrong Research Site (formerly Armstrong Laboratory) Human Effectiveness (HE) | AFRL/HEF | Brooks AFB TX 78235-5118 (Effective 1 Oct 98, HEF will be relocated to Wright Research Site.) |
| Eglin Research Site Munitions (MN) | AFRL/MNF | Eglin AFB FL 32542-6861 |
| Rome Research Site (formerly Rome Laboratory) Information (IF) | AFRL/IFF | 26 Electronic Parkway Rome NY 13441- 4514 |

NOTE: The research sites (Atch 7) named above are government-owned and operated establishments within the context of DoD 7000.14-R, Vol 11A, Chapter 2 and DFAS-DE 7070.2-R.

| *If Technology Directorate Performing Effort Is The Following: | Office Symbol For Project Order Management Is: |
|---|---|
| AFRL/SN | 2241 Avionics Cir, Bldg 620, Suite 18, Wright-Patterson AFB OH 45433-7320 |
| AFRL/VA | 2130 Eight Street, Bldg 45, Suite 1, Wright-Patterson AFB OH 45433-7542 |
| AFRL/ML | 2230 Tenth St, Suite 1, Wright-Patterson AFB OH 45433-7817 |
| AFRL/PR | 1950 Fifth Street, Bldg 18, Wright-Patterson AFB OH 45433-7251 |
| AFRL/HE | 2245 Monahan Way, Bldg 29, Wright-Patterson AFB OH 45433-6573 |

Attachment 3
PUBLIC LAW 103-160, SECTION 846
(AS AMENDED BY PL 105-85, SEC. 842, 18 NOV 97)

PUBLIC LAW 103-160, SECTION 846
(As amended by PL 105-85, Sec. 842, 18 Nov 97)
IMPROVEMENT OF PRICING POLICIES FOR USE OF MAJOR RANGE AND TEST
FACILITY INSTALLATIONS OF THE MILITARY DEPARTMENTS

(a) In General. - Chapter 159 of title 10, United States Code, is amended by inserting after section 2680 the following new section.

"Section 2681. Use of test and evaluation installations by commercial entities

(a) **CONTRACT AUTHORITY.**- The Secretary of Defense may enter into contracts with commercial entities that desire to conduct commercial test and evaluation activities at a Major Range and Test Facility Installation.

(b) **TERMINATION OR LIMITATION OF CONTRACT UNDER CERTAIN CIRCUMSTANCES.**- A contract entered into under subsection (a) shall contain a provision that the Secretary of Defense may terminate, prohibit, or suspend immediately any commercial test or evaluation activity to be conducted at the Major Range and Test Facility Installation under the contract if the Secretary of Defense certifies in writing that the test or evaluation activity is or would be detrimental-

- (1) to the public health and safety;
- (2) to property (either public or private); or
- (3) to any national security interest or foreign policy interest of the United States

(c) **CONTRACT PRICE.**- A contract entered into under subsection (a) shall include a provision that requires a commercial entity using a Major Range and Test Facility Installation under the contract to reimburse the Department of Defense for all direct costs to the United States that are associated with the test and evaluation activities conducted by the commercial entity under the contract. In addition, the contract may include a provision that requires the commercial entity to reimburse the Department of Defense for such indirect costs related to the use of the installation as the Secretary of Defense considers to be appropriate. The Secretary may delegate to the commander of the Major Range and Test Facility Installation the authority to determine the appropriateness of the amount of indirect costs included in such a contract provision.

(d) **RETENTION OF FUNDS COLLECTED FROM COMMERCIAL USERS.** - Amounts collected under subsection (c) from a commercial entity conducting test and evaluation activities at a Major Range and Test Facility Installation shall be credited to the appropriation accounts under which the costs associated with the test and evaluation activities of the commercial entity were incurred.

(e) **REGULATIONS AND LIMITATIONS.** - The Secretary of Defense shall prescribe regulation to carry out this section.

(f) DEFINITIONS. - In this section:

(1) The term "Major Range and Test Facility Installation" means a test and evaluation installation under the jurisdiction of the Department of Defense and designated as a Major Range and Test Facility Installation by the Secretary.

(2) The term "direct costs" include the cost of -

(A) labor, material, facilities, utilities, equipment, supplies and any other resources damaged or consumed during test or evaluation activities or maintained for a particular commercial entity; and

(B) construction specifically performed for a commercial entity to conduct test and evaluation activities.

(g) TERMINATION OF AUTHORITY. - This authority provided to the Secretary of Defense by subsection (a) shall terminate on **September 30, 2002**.

(h) REPORT. - **Not later than March 1, 1998, the Secretary of Defense shall submit to the Committee on Armed Services of the Senate and the Committee on National Security of the House of Representatives a report identifying existing and proposed procedures to ensure that the use of Major Range and Test Facility Installations by commercial entities does not compete with private sector test and evaluation services."**

(b) CLERICAL AMENDMENT. - The table of sections at the beginning of such chapter is amended by inserting after the item related to section 2680 the following new item:

"2681. Use of test and evaluation installations by commercial entities."

Attachment 4
TEST CENTER REIMBURSEMENT GUIDANCE MATRIX

| (1) COST CATEGORY | (2) DOD | (3) NON- DOD USG | (4) NON-USG, US COM USERS&FMS | (5) FMS FUNDED UNDER MAP |
|---------------------------|------------|------------------------|-------------------------------------|--------------------------------|
| Direct Labor-Mil | No | Yes | Yes | No |
| Direct Labor-Civ | Yes | Yes | Yes | Yes |
| Other Direct Costs | Yes | Yes | Yes | Yes |
| Indirect/OH-Mil | No | Yes*** | Yes*** | No |
| Indirect/Non- Military | Yes* | Yes | Yes | Yes |
| Overhead/Non- Military | No | Yes*** | Yes*** | Yes |
| User Charges** | No | No | Yes*** | Yes |
| Reimbursement Code | BB | BC | FR | BE |

REMARKS:

1. Columns 2-5: JOCAS II will be used to support reimbursable billings in all cases.
2. Column 3: Military labor is not accelerated (use JOCAS II standard rates).
3. Column 4: Military labor must be accelerated (use JOCAS II standard rates and acceleration rates for military benefits)

* Variable indirect costs may be reimbursed.

** Per DoD 7000.14-R, Volume 11A, Chapter 4

***Per DoD 7000.14-R, Volume 11A, Chapter 12 and Title 10 USC Section 2681, Use of Test and Evaluation Installations by Commercial Entities, commercial users charged only direct costs and appropriate indirect costs to cover the marginal (additive) cost of providing the service. Non-DoD government users are not charged more than commercial users. These provisions remain in effect until 30 Sep 02, unless the law is later made permanent.

Note: For foreign commercial testing:

Since Title 10 U.S.C. 2681 is not the authority, other statutory authority must be found for such testing. Any amounts charged for foreign commercial testing must be deposited into Miscellaneous Receipts, unless the statutory authority explicitly states otherwise.

Attachment5 **REIMBURSABLE CODE TABLE BY CUSTOMER**

| <u>CODE</u> | <u>DESCRIPTION</u> | <u>REIMBURSABLE EEICS</u> |
|-------------|--|---|
| NR | IN-HOUSE, NON-REIMBURSABLE JOB ORDERS | NONE |
| FR | U.S. COMMERCIAL CUSTOMERS AND FMS CUSTOMERS | ALL (INCLUDING ADDITIVES) |
| AA | JOINT PARTICIPATING CUSTOMERS (LABS ONLY) WITH DIRECTOR APPROVAL | 39X |
| AB | JOINT PARTICIPATING CUSTOMERS (LABS ONLY) WITH DIRECTOR APPROVAL | 60X (EXCEPT 601&603), 61X |
| AC | JOINT PARTICIPATING CUSTOMERS (LABS ONLY) WITH DIRECTOR APPROVAL | 59X (EXCEPT 599.13, 599.14, 599.23, 599.24, 599.XX) |
| AD | JOINT PARTICIPATING CUSTOMERS (LABS ONLY) WITH DIRECTOR APPROVAL | 40X, 42X, 43X |
| BA | JOINT PARTICIPATING CUSTOMERS (LABS ONLY) WITH DIRECTOR APPROVAL | ALL EXCEPT 20X, 39X, (OTHER THAN 391), 599.XX, AND ADDITIVE COSTS |
| BB* | DOD CUSTOMERS FOR T&E ACTIVITIES T&E CUSTOMERS FOR LAB ACTIVITIES, SDIO FOR T&E CUSTOMERS, AND AF LAB CUSTOMERS (NON-PE 6.2) | ALL EXCEPT 20X, 545, 599.XX AND ADDITIVE COSTS |
| BC | NON-DOD GOVERNMENT CUSTOMERS | ALL EXCEPT ADDITIVE COSTS FOR ASSET USE CHARGE (DEPRECIATION, AND UNFUNDED PORTION OF CIV RETIREMENT) |
| BD | IN HOUSE 6.2 RESEARCH | ALL EXCEPT 20X, 545, 599.XX AND ADDITIVE COSTS |
| BE | FMS FUNDED UNDER MILITARY ASSISTANCE PROGRAM (MAP) GRANT AND/OR NON- REPAYABLE CREDITS | ALL EXCEPT 20X, 599.14, 599.24 |
| BF | AFOSR, NON-AF OTHER DOD CUSTOMERS, SDIO LABORATORY CUSTOMERS, PE 6.1 RESEARCH AND TD (NON 6.2) | ALL EXCEPT 20X, 599.14, 599.24, AND ADDITIVE COSTS |
| BG | RESERVED | |
| SP | SPECIAL CATEGORY | ALL EXCEPT 20X, 599.XX, AND ADDITIVE COSTS |

*Use Reimbursable code BD if variable indirect costs are reimbursed (See para 2.3. and 3.3.1)

Attachment 6
INSTRUCTIONS FOR COMPLETING AFMC FORM 277

1. General Instructions.

- a. The ordering activity will determine if an order serve a bona fide need in the year of the appropriation; otherwise, a valid obligation does not exist.
- b. The performing activity must begin work within a reasonable period of time after accepting an order.
- c. The order is comparable to a contract placed with a commercial concern. Do not use orders to circumvent provisions of law, accomplish what directives and instruction do not permit, or continue an appropriation.
- d. DoD and Air Force policy is that when a reimbursable order is accepted, an obligation is incurred and remains on the accounting records of the ordering activity until liquidated, terminated, or otherwise closed out. This rule also applies to a direct cite order, except that the obligation is incurred when the contract is signed.
- e. Orders citing 3010, 3020, and 3080 funds must comply with the "full funding" policy according to AFI 65-601, Volume 1.

2. Requirements for In-house Technical Effort.

- a. The ordering activity will provide the performing activity advance planning data on requirements for technical effort. These data are included in a program introduction document (PID) or similar document serving the same purpose.
- b. The performing activity will provide the ordering activity cost and capability data. These data are included in a statement of capability (SOC) or similar document.
- c. The ordering activity, after further negotiation if necessary, will issue a reimbursable order to the performing activity for final acceptance.

3. Responsibilities and Procedures for Orders Performed In-house.**a. Acceptance Office:**

- (1) Accepts, controls and clears all incoming orders.
- (2) Receives and coordinates responses on PIDs, SOC's and orders.
- (3) Finalizes agreement arrangements after discussion with ordering activities.
- (4) Initiates acceptance of orders, provides copies to the ordering activity and distributes copies of accepted orders to the DAO and to other offices as locally determined.
- (5) Monitors progress through status inquiries. When reimbursable orders are 75 percent complete or when 75 percent of the available funds have been used, reviews the project for fund requirements. Take immediate action to obtain additional funds or release excess funds, as applicable.
- (6) Provides estimate of anticipated reimbursement to the budget office.
- (7) Designates the office responsible for completing the order.
- (8) Informs the DAO when the order is completed and ensures all actions are completed before closing the order.
- (9) Prepares AF Form 406, Miscellaneous Obligation Reimbursement Document (MORD), to record an order received by phone or electronic media and ensure AFMC Forms 277 are subsequently received and MORDs are closed out.

b. Execution Office (responsible for completing work requested):

- (1) Provides planning estimates to the acceptance office as needed.
- (2) Reviews cost and status reports to provide revised or supplemental funding requirements. Informs acceptance office when reimbursable orders are 75 percent complete or when 75 percent of the available funds have been used.
- (3) Informs the acceptance office when a reimbursable order is completed.
- (4) Informs the acceptance office regarding new or change requirement, work stoppages, schedule variations, or cost changes.
- (5) Prepares MORDs when emergency work is started before receipt of a valid order.

Attachment 7

AFRL LOCATIONS

